



**STONE COUNTY, MISSOURI  
TWO YEARS ENDED DECEMBER 31, 2002**

**From The Office Of State Auditor  
Claire McCaskill**

**Report No. 2003-96  
September 26, 2003  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)**

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

September 2003

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Stone, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also provide a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and it does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

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This audit of Stone County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county does not have adequate procedures to ensure budgets are prepared for all county funds. This resulted in receipts of approximately \$835,000 and \$858,000 and disbursements of approximately \$1 million and \$2.9 million not being budgeted for 2002 and 2001, respectively. These amounts are primarily the result of the lack of budgetary information for the Neighborhood Improvement District funds. In addition, the county's annual published financial statements did not include the financial activity of several county funds.
- The County Commission does not adequately plan or monitor the activity of the Neighborhood Improvement Districts (NIDs). In addition, special assessment collections for the Black Oak and Edgewater Village NIDs have not been adequate to meet the debt service requirements and NID funds held by the trustee bank were not adequately monitored by the County Treasurer.

The special assessment collections for the Black Oak NID were not sufficient to make the September 1, 2002 bond payment of \$70,222, causing the county to be in default. The County Commission was subsequently able to collect adequate delinquent assessments to make the bond payment and the default was rescinded. However, in 2003, the county contributed \$93,465 and \$60,843 from the county's general revenue fund for the Black Oak and Edgewater NID debt service payments, respectively, to prevent default.

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YELLOW SHEET

NID funds of \$9,629 were deposited into the wrong account by the Trustee Bank and not detected the County Treasurer. In addition, several transactions were not correctly reflected in the NID records.

The County Commission has not prepared a formal plan to effectively monitor and evaluate the amount of Black Oak and Edgewater special assessment funds collected or how future bond payments will be funded.

- The county does not have specific procedures in place to track federal assistance for preparation of the Schedule of Federal Awards (SEFA). The county's SEFA schedules contained numerous errors and omissions including reporting only 8 of 17 and 9 of 20 federal programs during 2002 and 2001, respectively.
- Time sheets were not maintained by some employees, and other employee's compensation was not processed through the normal payroll system and not properly reported on the employee's W-2 form.
- The County Collector's annual settlements for the years ended February 28, 2003 and 2002 contained errors in amounts reported, resulting in differences in total collections and distributions. In addition, formal bank reconciliations are not prepared and there are small unidentified balances in an old bank account.
- The Prosecuting Attorney's office needs to improve its procedures related to performing bank reconciliations, segregating accounting duties, preparing open items listings, and disbursing old outstanding checks.

The audit also included some matters relating to road and bridge procedures and general fixed asset records. The audit also suggested improvements in controls and procedures of the Assessor, Sheriff, and Health Center.

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FINANCIAL SECTION

State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS

To the County Commission  
and  
Officeholders of Stone County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Stone County, Missouri, as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As more fully discussed in Note 1, the county's financial statements do not include Statements of Receipts, Disbursements, and Changes in Cash-Budget and Actual for various funds totaling \$835,271 and \$858,706 in receipts and \$1,013,682 and \$2,935,570 in disbursements for the years ended December 31, 2002 and 2001, respectively. Statements of Receipts, Disbursements, and Changes in Cash - Budget and Actual are required by the comprehensive basis of accounting discussed in Note 1.

In our opinion, except for the effects on the financial statements of the omissions discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Stone County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2002 and 2001, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 12, 2003, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Stone County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.



Claire McCaskill  
State Auditor

May 12, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA  
Audit Manager: Donna Christian, CPA, CGFM  
In-Charge Auditor: Amy E. Baker  
Audit Staff: Rachel Simons  
Sandi Ohern, CPA  
Jay Ross  
Troy Royer  
Monte Davault



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Stone County, Missouri

We have audited the financial statements of various funds of Stone County, Missouri, as of and for the years ended December 31, 2002 and 2001 and have issued our report thereon dated May 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Stone County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Stone County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that

we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 02-1 and 02-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding numbers 02-1 and 02-2 to be material weaknesses. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Stone County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

May 12, 2003 (fieldwork completion date)

## Financial Statements

Exhibit A-1

STONE COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
 YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,017,218	5,675,036	5,404,509	1,287,745
Special Road and Bridge	356,993	4,297,642	4,026,435	628,200
Assessment	8,878	468,544	444,603	32,819
Law Enforcement Training	649	3,803	2,619	1,833
Prosecuting Attorney Training	0	753	291	462
Capital Improvement	200,804	6,952	21,140	186,616
Special Road and Bridge Projects	(463)	22,804	12,157	10,184
Special Road and Bridge Capital Improvement	572,805	301,100	68,819	805,086
Recorder User Fee	63,633	85,941	38,223	111,351
Children's Trust/Abuse Victims	70	1,878	0	1,948
Election Services	3,652	3,485	5,278	1,859
Health Center	567,413	541,897	546,522	562,788
Senior Citizens Service	125,956	168,366	157,027	137,295
Emergency 911	413,309	888,144	755,404	546,049
Circuit Clerk Interest	4,577	4,862	4,388	5,051
Law Library	11,568	10,383	16,023	5,928
Prosecuting Attorney Bad Check	14,862	7,345	15,562	6,645
Prosecuting Attorney Delinquent Tax	6,123	4,467	5,034	5,556
Law Enforcement Civil Fees	1,952	66,108	48,584	19,476
DARE	9,523	12,871	12,009	10,385
Seized Property	326	12	0	338
Tax Maintenance	0	2,283	0	2,283
Neighborhood Improvement Districts	670,209	724,211	722,488	671,932
Frontier Town Reclamation	226,990	2,957	209,250	20,697
Child Assessment Center Grant	0	9,529	0	9,529
Associate Circuit Division Interest	6,232	1,998	940	7,290
Probate Division Interest	1,970	57	0	2,027
Total	\$ 4,285,249	13,313,428	12,517,305	5,081,372

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

STONE COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
 YEAR ENDED DECEMBER 31, 2001

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,010,532	4,412,626	4,405,940	1,017,218
Special Road and Bridge	599,096	4,183,526	4,425,629	356,993
Assessment	(22,647)	470,036	438,511	8,878
Law Enforcement Training	1,552	4,050	4,953	649
Prosecuting Attorney Training	328	927	1,255	0
Capital Improvement	107,586	208,445	115,227	200,804
Special Road and Bridge Projects	(11,110)	161,286	150,639	(463)
Special Road and Bridge Capital Improvement	495,578	85,815	8,588	572,805
Recorder User Fee	65,568	47,186	49,121	63,633
Children's Trust/Abuse Victims	2,020	1,428	3,378	70
Election Services	2,154	3,902	2,404	3,652
Health Center	556,625	523,196	512,408	567,413
Senior Citizens Service	110,897	165,951	150,892	125,956
Emergency 911	341,671	846,684	775,046	413,309
Circuit Clerk Interest	9,601	3,633	8,657	4,577
Law Library	15,602	9,613	13,647	11,568
Prosecuting Attorney Bad Check	10,299	12,467	7,904	14,862
Prosecuting Attorney Delinquent Tax	2,522	6,676	3,075	6,123
Law Enforcement Civil Fees	2,826	44,664	45,538	1,952
DARE	4,974	13,020	8,471	9,523
Seized Property	313	13	0	326
Neighborhood Improvement Districts	2,751,417	627,391	2,708,599	670,209
Community Development Block Grant	3,983	159,086	163,069	0
Frontier Town Reclamation	0	251,990	25,000	226,990
Associate Circuit Division Interest	6,655	1,566	1,989	6,232
Probate Division Interest	1,471	499	0	1,970
Total	\$ 6,069,513	12,245,676	14,029,940	4,285,249

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

STONE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>TOTALS - VARIOUS FUNDS</b>						
RECEIPTS	\$ 12,066,092	12,478,157	412,065	11,239,374	11,380,294	140,920
DISBURSEMENTS	13,536,569	11,503,623	2,032,946	12,908,523	11,091,295	1,817,228
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,470,477)	974,534	2,445,011	(1,669,149)	288,999	1,958,148
CASH, JANUARY 1	3,351,917	3,351,902	(15)	3,284,823	3,285,053	230
CASH, DECEMBER 31	1,881,440	4,326,436	2,444,996	1,615,674	3,574,052	1,958,378
<b>GENERAL REVENUE FUND</b>						
RECEIPTS						
Property taxes	417,000	445,976	28,976	365,300	423,341	58,041
Sales taxes	3,600,000	3,751,892	151,892	2,539,000	2,555,079	16,079
Intergovernmental	593,680	548,393	(45,287)	524,022	661,848	137,826
Charges for service:	664,500	788,408	123,908	591,200	665,038	73,838
Interest	55,000	56,901	1,901	53,000	60,289	7,289
Other	40,240	83,466	43,226	76,640	47,031	(29,609)
Total Receipts	5,370,420	5,675,036	304,616	4,149,162	4,412,626	263,464
DISBURSEMENTS						
County Commissior	108,495	105,940	2,555	109,320	107,998	1,322
County Clerk	125,724	115,964	9,760	118,920	113,852	5,068
Elections	140,108	151,013	(10,905)	112,932	96,841	16,091
Buildings and grounds	261,344	242,314	19,030	285,174	250,842	34,332
Employee fringe benefit	440,836	406,277	34,559	400,080	392,595	7,485
County Treasurer	62,400	61,334	1,066	61,424	60,298	1,126
County Collector	177,923	187,813	(9,890)	157,740	159,416	(1,676)
Ex Officio Recorder of Deed	83,670	80,272	3,398	89,743	81,472	8,271
Circuit Clerk	15,200	12,530	2,670	15,150	13,359	1,791
Associate Circuit Court	36,680	30,733	5,947	32,486	26,973	5,513
Court administration	88,130	75,952	12,178	94,186	80,373	13,813
Public Administrator	52,800	51,150	1,650	68,500	65,918	2,582
Sheriff	1,177,063	1,141,185	35,878	1,093,245	1,004,595	88,650
Jail	450,855	483,358	(32,503)	391,300	517,583	(126,283)
Prosecuting Attorney	355,012	333,953	21,059	323,125	311,800	11,325
Juvenile Offices	44,906	43,464	1,442	39,092	35,952	3,140
County Coroner	33,970	29,169	4,801	30,251	33,086	(2,835)
Insurance and bonds	54,500	69,569	(15,069)	53,185	49,242	3,943
Publications	9,000	12,989	(3,989)	8,000	8,465	(465)
Surveyor	3,300	3,111	189	2,600	3,300	(700)
Extension Office	37,850	37,850	0	37,400	37,400	0
Emergency Management	17,110	14,180	2,930	15,367	13,968	1,399
Computers	24,500	18,620	5,880	24,000	19,064	4,936
Planning and Zoning	123,224	112,278	10,946	127,202	110,485	16,717
Enhancement	60,000	58,609	1,391	70,000	56,676	13,324
Debt service	290,000	226,758	63,242	282,500	286,718	(4,218)
Other	106,987	87,073	19,914	95,940	85,171	10,769
Transfers out	1,211,051	1,211,051	0	382,498	382,498	0
Emergency Fund	80,000	0	80,000	68,000	0	68,000
Total Disbursements	5,672,638	5,404,509	268,129	4,589,360	4,405,940	183,420
RECEIPTS OVER (UNDER) DISBURSEMENTS	(302,218)	270,527	572,745	(440,198)	6,686	446,884
CASH, JANUARY 1	1,017,218	1,017,218	0	1,010,532	1,010,532	0
CASH, DECEMBER 31	715,000	1,287,745	572,745	570,334	1,017,218	446,884

Exhibit B

STONE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>SPECIAL ROAD AND BRIDGE FUND</u></b>						
<b>RECEIPTS</b>						
Property taxes	4,000	4,192	192	4,000	4,112	112
Sales taxes	1,800,000	1,791,366	(8,634)	2,780,000	2,738,112	(41,888)
Intergovernmental	1,567,726	1,566,412	(1,314)	1,481,600	1,406,917	(74,683)
Interest	25,000	36,942	11,942	38,000	33,746	(4,254)
Other	400	579	179	600	639	39
Transfers in	898,151	898,151	0	0	0	0
<b>Total Receipts</b>	<b>4,295,277</b>	<b>4,297,642</b>	<b>2,365</b>	<b>4,304,200</b>	<b>4,183,526</b>	<b>(120,674)</b>
<b>DISBURSEMENTS</b>						
Salaries	907,400	927,699	(20,299)	904,554	880,074	24,480
Employee fringe benefit	208,417	218,010	(9,593)	195,939	198,084	(2,145)
Supplies	192,900	162,699	30,201	186,000	182,688	3,312
Insurance	40,000	45,706	(5,706)	31,000	38,769	(7,769)
Road and bridge materials	2,020,000	1,661,254	358,746	1,790,000	1,360,030	429,970
Equipment repairs	163,000	133,551	29,449	151,500	157,927	(6,427)
Rentals	5,000	172	4,828	5,000	2,395	2,605
Equipment purchases	750,000	620,349	129,651	500,000	483,485	16,515
Construction, repair, and maintenance	230,000	165,047	64,953	183,500	214,669	(31,169)
Payments to cities	38,050	38,050	0	38,050	38,050	0
Debt service	0	0	0	805,000	806,600	(1,600)
Other	63,500	53,898	9,602	47,300	62,858	(15,558)
Emergency	20,000	0	20,000	20,000	0	20,000
<b>Total Disbursements</b>	<b>4,638,267</b>	<b>4,026,435</b>	<b>611,832</b>	<b>4,857,843</b>	<b>4,425,629</b>	<b>432,214</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(342,990)</b>	<b>271,207</b>	<b>614,197</b>	<b>(553,643)</b>	<b>(242,103)</b>	<b>311,540</b>
CASH, JANUARY 1	356,993	356,993	0	599,096	599,096	0
<b>CASH, DECEMBER 31</b>	<b>14,003</b>	<b>628,200</b>	<b>614,197</b>	<b>45,453</b>	<b>356,993</b>	<b>311,540</b>
<b><u>ASSESSMENT FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	326,465	347,066	20,601	328,646	328,003	(643)
Interest	0	333	333	200	313	113
Other	10,000	8,245	(1,755)	12,000	9,222	(2,778)
Transfers in	109,820	112,900	3,080	132,498	132,498	0
<b>Total Receipts</b>	<b>446,285</b>	<b>468,544</b>	<b>22,259</b>	<b>473,344</b>	<b>470,036</b>	<b>(3,308)</b>
<b>DISBURSEMENTS</b>						
Assessor	455,163	444,603	10,560	450,697	438,511	12,186
<b>Total Disbursements</b>	<b>455,163</b>	<b>444,603</b>	<b>10,560</b>	<b>450,697</b>	<b>438,511</b>	<b>12,186</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(8,878)</b>	<b>23,941</b>	<b>32,819</b>	<b>22,647</b>	<b>31,525</b>	<b>8,878</b>
CASH, JANUARY 1	8,878	8,878	0	(22,647)	(22,647)	0
<b>CASH, DECEMBER 31</b>	<b>0</b>	<b>32,819</b>	<b>32,819</b>	<b>0</b>	<b>8,878</b>	<b>8,878</b>

Exhibit B

STONE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>LAW ENFORCEMENT TRAINING FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	0	797	797	2,000	1,412	(588)
Charges for service:	2,600	3,006	406	3,500	2,638	(862)
Total Receipts	2,600	3,803	1,203	5,500	4,050	(1,450)
<b>DISBURSEMENTS</b>						
Sheriff	3,249	2,619	630	4,500	4,953	(453)
Total Disbursements	3,249	2,619	630	4,500	4,953	(453)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(649)	1,184	1,833	1,000	(903)	(1,903)
CASH, JANUARY 1	649	649	0	1,552	1,552	0
CASH, DECEMBER 31	0	1,833	1,833	2,552	649	(1,903)
<b><u>PROSECUTING ATTORNEY TRAINING FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	640	753	113	900	666	(234)
Other	0	0	0	0	261	261
Total Receipts	640	753	113	900	927	27
<b>DISBURSEMENTS</b>						
Prosecuting Attorney	509	291	218	1,200	1,255	(55)
Total Disbursements	509	291	218	1,200	1,255	(55)
RECEIPTS OVER (UNDER) DISBURSEMENTS	131	462	331	(300)	(328)	(28)
CASH, JANUARY 1	0	0	0	328	328	0
CASH, DECEMBER 31	131	462	331	28	0	(28)
<b><u>CAPITAL IMPROVEMENT FUND</u></b>						
<b>RECEIPTS</b>						
Interest	0	6,952	6,952	0	8,445	8,445
Transfers in	200,000	0	(200,000)	200,000	200,000	0
Total Receipts	200,000	6,952	(193,048)	200,000	208,445	8,445
<b>DISBURSEMENTS</b>						
Capital improvements	400,804	21,140	379,664	250,000	115,227	134,773
Total Disbursements	400,804	21,140	379,664	250,000	115,227	134,773
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200,804)	(14,188)	186,616	(50,000)	93,218	143,218
CASH, JANUARY 1	200,804	200,804	0	107,586	107,586	0
CASH, DECEMBER 31	0	186,616	186,616	57,586	200,804	143,218

Exhibit B

STONE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>SPECIAL ROAD AND BRIDGE PROJECTS FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	120,000	22,804	(97,196)	111,110	161,286	50,176
Total Receipts	<u>120,000</u>	<u>22,804</u>	<u>(97,196)</u>	<u>111,110</u>	<u>161,286</u>	<u>50,176</u>
<b>DISBURSEMENTS</b>						
Special road and bridge project:	119,537	12,157	107,380	100,000	150,639	(50,639)
Total Disbursements	<u>119,537</u>	<u>12,157</u>	<u>107,380</u>	<u>100,000</u>	<u>150,639</u>	<u>(50,639)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	463	10,647	10,184	11,110	10,647	(463)
CASH, JANUARY 1	(463)	(463)	0	(11,110)	(11,110)	0
CASH, DECEMBER 31	<u>0</u>	<u>10,184</u>	<u>10,184</u>	<u>0</u>	<u>(463)</u>	<u>(463)</u>
<b><u>SPECIAL ROAD AND BRIDGE CAPITAL IMPROVEMENT FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	10,000	78,746	68,746	170,000	9,438	(160,562)
Interest	15,000	22,354	7,354	10,000	26,377	16,377
Transfers in	0	200,000	200,000	50,000	50,000	0
Total Receipts	<u>25,000</u>	<u>301,100</u>	<u>276,100</u>	<u>230,000</u>	<u>85,815</u>	<u>(144,185)</u>
<b>DISBURSEMENTS</b>						
Capital improvements	500,000	68,819	431,181	500,000	8,588	491,412
Total Disbursements	<u>500,000</u>	<u>68,819</u>	<u>431,181</u>	<u>500,000</u>	<u>8,588</u>	<u>491,412</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(475,000)	232,281	707,281	(270,000)	77,227	347,227
CASH, JANUARY 1	572,805	572,805	0	495,578	495,578	0
CASH, DECEMBER 31	<u>97,805</u>	<u>805,086</u>	<u>707,281</u>	<u>225,578</u>	<u>572,805</u>	<u>347,227</u>
<b><u>RECORDER USER FEE FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	61,750	82,506	20,756	38,000	44,430	6,430
Interest	0	3,435	3,435	3,000	2,756	(244)
Total Receipts	<u>61,750</u>	<u>85,941</u>	<u>24,191</u>	<u>41,000</u>	<u>47,186</u>	<u>6,186</u>
<b>DISBURSEMENTS</b>						
Ex Officio Recorder of Deed	49,755	38,223	11,532	69,500	49,121	20,379
Total Disbursements	<u>49,755</u>	<u>38,223</u>	<u>11,532</u>	<u>69,500</u>	<u>49,121</u>	<u>20,379</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	11,995	47,718	35,723	(28,500)	(1,935)	26,565
CASH, JANUARY 1	63,633	63,633	0	65,568	65,568	0
CASH, DECEMBER 31	<u>75,628</u>	<u>111,351</u>	<u>35,723</u>	<u>37,068</u>	<u>63,633</u>	<u>26,565</u>

Exhibit B

STONE COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>CHILDREN'S TRUST/ABUSE VICTIMS FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	820	1,878	1,058	1,960	1,428	(532)
Total Receipts	820	1,878	1,058	1,960	1,428	(532)
<b>DISBURSEMENTS</b>						
Abuse victims' service	1,510	0	1,510	3,980	3,378	602
Total Disbursements	1,510	0	1,510	3,980	3,378	602
RECEIPTS OVER (UNDER) DISBURSEMENTS	(690)	1,878	2,568	(2,020)	(1,950)	70
CASH, JANUARY 1	70	70	0	2,020	2,020	0
CASH, DECEMBER 31	(620)	1,948	2,568	0	70	70
<b><u>ELECTION SERVICES FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	3,001	3,485	484	1,000	3,902	2,902
Total Receipts	3,001	3,485	484	1,000	3,902	2,902
<b>DISBURSEMENTS</b>						
Election services:	6,653	5,278	1,375	3,000	2,404	596
Total Disbursements	6,653	5,278	1,375	3,000	2,404	596
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,652)	(1,793)	1,859	(2,000)	1,498	3,498
CASH, JANUARY 1	3,652	3,652	0	2,154	2,154	0
CASH, DECEMBER 31	0	1,859	1,859	154	3,652	3,498
<b><u>HEALTH CENTER FUND</u></b>						
<b>RECEIPTS</b>						
Property taxes	261,586	268,405	6,819	243,298	254,202	10,904
Intergovernmental	179,701	167,712	(11,989)	167,220	167,486	266
Charges for service:	48,800	61,069	12,269	50,500	51,381	881
Interest	20,000	29,820	9,820	27,000	37,278	10,278
Other	12,000	14,891	2,891	17,500	12,849	(4,651)
Total Receipts	522,087	541,897	19,810	505,518	523,196	17,678
<b>DISBURSEMENTS</b>						
Salaries	440,022	447,224	(7,202)	411,242	406,591	4,651
Office expenditure:	73,100	49,053	24,047	60,700	61,709	(1,009)
Equipment	11,500	7,080	4,420	13,000	4,193	8,807
Mileage and training	11,000	9,778	1,222	12,700	10,968	1,732
Other	31,700	33,387	(1,687)	39,200	28,947	10,253
Total Disbursements	567,322	546,522	20,800	536,842	512,408	24,434
RECEIPTS OVER (UNDER) DISBURSEMENTS	(45,235)	(4,625)	40,610	(31,324)	10,788	42,112
CASH, JANUARY 1	567,413	567,413	0	556,625	556,625	0
CASH, DECEMBER 31	522,178	562,788	40,610	525,301	567,413	42,112

Exhibit B

STONE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>SENIOR CITIZENS SERVICE FUND</b>						
<b>RECEIPTS</b>						
Charges for services:						
Intergovernmental	156,703	161,807	5,104	139,921	155,153	15,232
Interest	1,909	2,239	330	1,909	2,149	240
Other	3,000	3,931	931	3,000	7,639	4,639
Other	300	389	89	450	1,010	560
Total Receipts	<u>161,912</u>	<u>168,366</u>	<u>6,454</u>	<u>145,280</u>	<u>165,951</u>	<u>20,671</u>
<b>DISBURSEMENTS</b>						
Contract services:	234,460	154,899	79,561	202,176	148,433	53,743
Office expenditures:	1,008	546	462	1,000	528	472
Mileage	900	505	395	1,000	625	375
Transportation	1,500	1,077	423	2,000	1,306	694
Total Disbursements	<u>237,868</u>	<u>157,027</u>	<u>80,841</u>	<u>206,176</u>	<u>150,892</u>	<u>55,284</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(75,956)	11,339	87,295	(60,896)	15,059	75,955
CASH, JANUARY 1	125,956	125,956	0	110,897	110,897	0
CASH, DECEMBER 31	<u>50,000</u>	<u>137,295</u>	<u>87,295</u>	<u>50,001</u>	<u>125,956</u>	<u>75,955</u>
<b>EMERGENCY 911 FUND</b>						
<b>RECEIPTS</b>						
Sales taxes	815,000	858,532	43,532	775,000	815,222	40,222
Charges for services:	15,000	15,000	0	15,000	15,000	0
Interest	11,000	13,797	2,797	15,700	15,365	(335)
Other	800	815	15	200	1,097	897
Total Receipts	<u>841,800</u>	<u>888,144</u>	<u>46,344</u>	<u>805,900</u>	<u>846,684</u>	<u>40,784</u>
<b>DISBURSEMENTS</b>						
Salaries and fringe benefit:	492,000	427,054	64,946	592,000	407,606	184,394
Office expenditures:	6,500	4,800	1,700	9,250	5,093	4,157
Building and equipment:	84,700	79,692	5,008	136,200	81,607	54,593
Mileage and training	16,000	8,930	7,070	20,000	10,074	9,926
Professional fee:	8,000	5,892	2,108	18,000	9,394	8,606
Lease payments	107,514	107,454	60	122,140	105,832	16,308
Telephone	86,500	80,247	6,253	90,000	98,303	(8,303)
Other	47,780	41,335	6,445	77,500	57,137	20,363
Total Disbursements	<u>848,994</u>	<u>755,404</u>	<u>93,590</u>	<u>1,065,090</u>	<u>775,046</u>	<u>290,044</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,194)	132,740	139,934	(259,190)	71,638	330,828
CASH, JANUARY 1	413,309	413,309	0	341,671	341,671	0
CASH, DECEMBER 31	<u>406,115</u>	<u>546,049</u>	<u>139,934</u>	<u>82,481</u>	<u>413,309</u>	<u>330,828</u>

Exhibit B

STONE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>PROSECUTING ATTORNEY BAD CHECK FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	12,000	7,345	(4,655)			
Total Receipts	<u>12,000</u>	<u>7,345</u>	<u>(4,655)</u>			
<b>DISBURSEMENTS</b>						
Prosecuting Attorney	25,800	15,562	10,238			
Total Disbursements	<u>25,800</u>	<u>15,562</u>	<u>10,238</u>			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,800)	(8,217)	5,583			
CASH, JANUARY 1	15,000	14,862	(138)			
CASH, DECEMBER 31	<u>1,200</u>	<u>6,645</u>	<u>5,445</u>			
<b><u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:	2,500	4,467	1,967			
Total Receipts	<u>2,500</u>	<u>4,467</u>	<u>1,967</u>			
<b>DISBURSEMENTS</b>						
Prosecuting Attorney	8,500	5,034	3,466			
Total Disbursements	<u>8,500</u>	<u>5,034</u>	<u>3,466</u>			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,000)	(567)	5,433			
CASH, JANUARY 1	6,000	6,123	123			
CASH, DECEMBER 31	<u>0</u>	<u>5,556</u>	<u>5,556</u>			
<b><u>CIRCUIT CLERK INTEREST FUND</u></b>						
<b>RECEIPTS</b>						
Interest				5,000	3,633	(1,367)
Total Receipts				<u>5,000</u>	<u>3,633</u>	<u>(1,367)</u>
<b>DISBURSEMENTS</b>						
Circuit Clerk				10,000	8,657	1,343
Total Disbursements				<u>10,000</u>	<u>8,657</u>	<u>1,343</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				(5,000)	(5,024)	(24)
CASH, JANUARY 1				9,601	9,601	0
CASH, DECEMBER 31				<u>4,601</u>	<u>4,577</u>	<u>(24)</u>

Exhibit B

STONE COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>LAW LIBRARY FUND</u></b>						
<b>RECEIPTS</b>						
Charges for service:				9,500	8,971	(529)
Interest				0	642	642
Total Receipts				<u>9,500</u>	<u>9,613</u>	<u>113</u>
<b>DISBURSEMENTS</b>						
Law Library				10,335	13,647	(3,312)
Total Disbursements				<u>10,335</u>	<u>13,647</u>	<u>(3,312)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				(835)	(4,034)	(3,199)
CASH, JANUARY 1				15,372	15,602	230
CASH, DECEMBER 31				<u>14,537</u>	<u>11,568</u>	<u>(2,969)</u>
<b><u>FRONTIER TOWN RECLAMATION</u></b>						
<b>RECEIPTS</b>						
Other				250,000	250,000	0
Interest				0	1,990	1,990
Total Receipts				<u>250,000</u>	<u>251,990</u>	<u>1,990</u>
<b>DISBURSEMENTS</b>						
Construction				234,250	25,000	209,250
Legal and administrative service:				15,750	0	15,750
Total Disbursements				<u>250,000</u>	<u>25,000</u>	<u>225,000</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	226,990	226,990
CASH, JANUARY 1				0	0	0
CASH, DECEMBER 31			\$	<u>0</u>	<u>226,990</u>	<u>226,990</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

STONE COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Stone County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, Senior Citizens Service Board, or the Emergency 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Circuit Clerk Interest Fund	2002
Law Library Fund	2002
Prosecuting Attorney Bad Check Fund	2001
Law Enforcement Civil Fees Fund	2002 and 2001
DARE Fund	2002 and 2001
Seized Property Fund	2002 and 2001
Tax Maintenance Fund	2002
Neighborhood Improvement Districts Fund	2002 and 2001
Community Development Block Grant Fund	2001
Frontier Town Reclamation Fund	2002
Child Assessment Center Grant Fund	2002
Associate Circuit Division Interest Fund	2002 and 2001
Probate Division Interest Fund	2002 and 2001

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2001
Prosecuting Attorney Training Fund	2001
Special Road and Bridge Projects Fund	2001
Law Library Fund	2001

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 2000, requires a balanced budget, a deficit balance was budgeted in the Children's Trust/Abuse Victims Fund for the year ended December 31, 2002.

#### D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Emergency 911 Fund	2001
Circuit Clerk Interest Fund	2002 and 2001
Law Library Fund	2002 and 2001
Community Development Block Grant Fund	2001
Frontier Town Reclamation Fund	2002 and 2001
Child Assessment Center Grant Fund	2002
Associate Circuit Division Interest Fund	2002 and 2001
Probate Division Interest Fund	2002 and 2001

In addition, for the Neighborhood Improvement Districts, Senior Citizens Service, and Health Center, the county's published financial statements for the years ended December 31, 2002 and 2001, included only those amounts that passed through the County Treasurer.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depository insurance are pledged to the county rather than to specific county officials.

The county's deposits at December 31, 2002, were entirely covered by federal depository insurance or by an irrevocable standby letter of credit issued by a Federal Home Loan Bank.

Of the county's bank balance at December 31, 2001, \$6,379,293 was covered by federal depository insurance, or by collateral securities held by the county's custodial bank in the county's name, or by commercial insurance provided through a surety bond, and \$3,025,160 was uninsured and uncollateralized.

Furthermore, because of significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances were substantially higher at those times than such amounts at year-end.

The Health Center Board, Senior Citizens Service Board, and Emergency 911 Board's deposits at December 31, 2002 and 2001, were entirely covered by federal depository insurance or by collateral securities held by the board's custodial banks in the board's name.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

## Schedule

STONE COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2002	2001
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS041-205W ERS045-2205 ERS045-3205W	\$ 0 45,234 17,597	47,524 16,278 0
	Program Total		<u>62,831</u>	<u>63,802</u>
10.559	Summer Food Service Program for Children	ERS146-2205I ERS146-1205I	240 0	0 240
	Program Total		<u>240</u>	<u>240</u>
Office of Administration				
10.665	Schools and Roads - Grants to States	N/A	27,365	34,188
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state				
Department of Economic Development -				
14.228	Community Development Block Grants/State' Program	N/A	0	159,086
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ERO1640405 ERO1640480	0 11,980	11,520 0
	Program Total		<u>11,980</u>	<u>11,520</u>
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.607	Bulletproof Vest Partnership Program	N/A	11,880	0
16.710	Public Safety Partnership and Community Policing Grant	95CFWX5194 2001SHWX0204	34,698 17,070	40,753 6,058
	Program Total		<u>51,768</u>	<u>46,811</u>
Passed through:				
State Department of Public Safety				
16.554	National Criminal History Improvement Program	2000-RH-CX-K024	1,889	1,815

Schedule

STONE COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2002	2001
16.588	Violence Against Women Formula Grant	2000-VAWA-0051	0	25,021
		2001-VAWA-0043	24,965	0
	Program Total		<u>24,965</u>	<u>25,021</u>
16.592	Local Law Enforcement Block Grants Program	2001-LB-BX-1190	11,639	21,622
		2002-LB-BX-1070	1,721	0
	Program Total		<u>13,360</u>	<u>21,622</u>
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	229	1,526
	Cape Girardeau County Sheriff's Office			
16.580	Edward Byrne Memorial State and Local Law Enforcemerc Assistance Discretionary Grants Program	2000DDVX0055	17,565	14,842
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Constructor	BRO-104(4)	10,434	9,438
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant:	N/A	0	1,994
GENERAL SERVICES ADMINISTRATION				
	Passed through state Office of Administration			
39.003	Donation of Federal Surplus Personal Propert:	N/A	936	1,494
FEDERAL EMERGENCY MANAGEMENT AGENCY				
	Passed through state Department of Public Safety			
83.534	Emergency Management - State and Local Assistanc	N/A	3,720	3,880
83.544	Public Assistance Grant:	FEMA-MO-DR1412	107,515	0

Schedule

STONE COUNTY, MISSOURI  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2002	2001
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Services -				
93.268	Immunization Grants	PGA064-2205A	485	0
		PGA064-3205A	2,890	1,355
		N/A	28,739	21,149
	Program Total		<u>32,114</u>	<u>22,504</u>
Department of Social Services -				
93.563	Child Support Enforcemen	N/A	88	246
Department of Health and Senior Services -				
93.575	Child Care and Development Block Gran	PGA067-1205C	0	1,485
		PGA067-2205S	1,435	580
		PGA067-3205S	605	0
	Program Total		<u>2,040</u>	<u>2,065</u>
Department of Health and Senior Services				
93.994	Maternal and Child Health Service: Block Grant to the States	ERS175-1205F	0	5,142
		ERS175-2074F	5,051	903
		ERS175-3075F	1,371	0
		N/A	282	1,851
	Program Total		<u>6,704</u>	<u>7,896</u>
	Total Expenditures of Federal Award:		<u>\$ 387,623</u>	<u>429,990</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

STONE COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Stone County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of the property at the time of receipt.

Amounts for the National Criminal History Improvement Program (CFDA number 16.554) represent the original acquisition cost of equipment received.

Amounts for Immunization Grants (CFDA number 93.268), and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services during the two years ended December 31, 2002.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2002 and 2001.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Stone County, Missouri

Compliance

We have audited the compliance of Stone County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Stone County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-3.

### Internal Control Over Compliance

The management of Stone County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the management of Stone County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

May 12, 2003 (fieldwork completion date)

## Schedule

STONE COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 2002 AND 2001

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness identified?   x   yes        no

Reportable condition identified that is not considered to be a material weakness?        yes   x   none reported

Noncompliance material to the financial statements noted?   x   yes        no

Federal Awards

Internal control over major programs:

Material weakness identified?        yes   x   no

Reportable condition identified that is not considered to be a material weakness?   x   yes        none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?   x   yes        no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.665	Schools and Roads - Grants to States
14.228	Community Development Block Grants/State's Program
83.544	Public Assistance Grants

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?        yes   x   no

## Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

**02-1.**

### **Budgets and Financial Statements**

- A. The county does not have adequate procedures to ensure budgets are prepared for all county funds, and as a result, budgets were not prepared for various county funds for the two years ended December 31, 2002. The lack of budgetary information for these funds, especially the Neighborhood Improvement Districts (NID) Fund, is a significant omission from the county's financials statements. Receipts which were not budgeted totaled approximately \$835,000 and \$858,000 in 2002 and 2001, respectively. Disbursements which were not budgeted totaled approximately \$1 million and \$2.9 million for 2002 and 2001, respectively. The County Commission responded to our prior audit comments that they did not include the NID funds in the budget document because they believed it would appear to the public that the county's budget is larger than it actually is. They further responded that as the governing body they should prepare NID budgets; however, budgets were not prepared.

Chapter 50, RSMo 2000, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds, the County Commission and other county officials and boards would be able to more effectively evaluate all county financial resources.

- B. The county's annual published financial statements did not include the financial activity of several county funds. Section 50.800, RSMo 2000, provides that the financial statements are required to show receipts or revenues, disbursements or

expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

**WE RECOMMEND** the County Commission and other applicable officials and boards:

- A. Ensure budgets are prepared for all county funds as required by state law.
- B. Ensure the financial information for all county funds is properly reported in the annual published financial statements.

**AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. *The Frontier Town Reclamation project has ended, and there will be no future budgets for it.*

*The County Clerk has agreed to prepare a budget for the other fund listed that is currently under the County Commission's control, the Community Development Block Grant Fund.*

*The County Commission has notified the Prosecuting Attorney that it wishes to become a signatory on the Child Assessment Center Grant, and the County Clerk has agreed to prepare a budget for the Child Assessment Center Grant.*

*The County Commission agrees that the public should be able to inspect the budget and finances of each NID. The County Commission agrees that annual budgets should be prepared, and the County Clerk has agreed to prepare a budget for each NID.*

*The County Commission encourages all other officers, commissioners, and boards to prepare budgets for other funds administered by them, such as the Circuit Clerk Interest Fund, the Law Library Fund, the Associate Circuit Division Interest Fund, and the Probate Division Interest Fund. However, the County Commission has no authority to require that such budgets are prepared.*

- B. *The County Commission encourages all other officers, commissions, and boards with the County to join in the County's published financial statement to accurately report financial information for all county funds. However, the County Commission has no authority to require them to do so.*

*The County Clerk provided the following response:*

*In my administration of the 2004 budget process I intend to prepare and make recommendation that the county formally adopts the budgets mentioned.*

Our prior audit report identified a lack of control by the County Commission resulting in questionable transactions, possible conflicts of interest, a lack of bidding, and improper withholdings from assessments. In addition, litigation is currently pending regarding the construction work performed on the Black Oak NID. Our current review of these NIDs revealed new concerns with regard to the county's planning, monitoring, and record keeping procedures. In addition, special assessment collections for the Black Oak and Edgewater Village NIDs have not been adequate to meet the debt service requirements.

The Stone County Commission established three Neighborhood Improvement Districts (NIDs); Black Oak Mountain Resort, Edgewater Village, and Stonebridge Village, to develop roads and construct water and sewage systems in the districts. Special obligation, special assessment bonds totaling \$2,973,000 and \$2,225,000, were issued by the County Commission in 2000 for the Black Oak and Edgewater NIDs, respectively. In 1997 special obligation, special assessment bonds totaling \$2,775,000 were issued for the Stonebridge NID. The bonds are intended to be repaid through the collection of special assessments on the benefited properties within each district.

- A. In 2003 the county paid \$93,465 and \$60,843 from the county's general revenue fund for the Black Oak and Edgewater NID debt service payments, respectively.
1. As of February 28, 2003 over \$322,000 in special assessments charged to property owners were delinquent for the Black Oak NID as follows:

<u>Tax Year</u>	<u>Assessment Charged</u>	<u>Amount Paid</u>	<u>Amount Delinquent</u>	<u>Delinquency Rate</u>
2002	\$283,133	147,808	135,325	48%
2001	307,424	186,022	121,402	39%
2000	226,725	160,871	65,854	29%

In addition to a significant amount of delinquent special assessments, the county has been unable to sell the properties for nonpayment. In the August 2002 tax sale, the Collector was only able to sell 10 of 121 properties from the Black Oak NID that were two years delinquent in paying their special assessment. According to the County Commission, the problems resulting from the construction project make the properties difficult to market.

Further, in 2000 several residents filed a lawsuit against the county. This resulted in a judgment that decreased the total special assessment amounts for those property owners involved in the lawsuit by approximately \$118,000 over twenty years. This judgment required the county to refund assessment

amounts that had been prepaid. This reduction in special assessments, along with the delinquent special assessments have resulted in the Black Oak NID fund not generating enough revenue to pay the bond debt service requirements.

Special assessment collections for the Black Oak NID were not sufficient to make the September 1, 2002 bond payment of \$70,222, causing the county to be in default. According to County Commission minutes, representatives from the trustee bank encouraged the county to pay the bond payment because they believed defaulting could affect the bond ratings of other political subdivisions within the county. The County Commission subsequently contacted the largest single land owner within the Black Oak NID and requested payment of a portion of the delinquent special assessments they owed, and the bond payment was made on September 19, 2002.

The trustee bank subsequently rescinded the notice of default and billed the county \$2,388 for legal fees to review the effect of the non-payment of the bond.

Special assessment collections were again insufficient to make the March 1, 2003 bond payment of \$145,222. On February 26, 2003, \$93,465 in county general revenue funds were transferred to the Black Oak bond account to provide adequate funds for this payment. While the Stonebridge and Edgewater NID bond covenants contain reserve requirements, the Black Oak bond covenant did not require the county to establish reserve funds. The County Commission and their legal counsel do not know why a reserve requirement was not included.

A bond interest payment of \$68,253 was paid on September 1, 2003 leaving a balance of only \$6,763 in the Black Oak NID fund.

2. The Edgewater Village NID also did not have sufficient funds to make the March 1, 2003 bond payment causing the county to pay \$585 of the payment to prevent default. The Edgewater NID funds were insufficient due to the large amount of delinquent special assessment taxes. According to the County Collector, one property owner within the Edgewater NID owed \$123,200 of the \$144,226 in delinquent special assessments as of May 2003. The County Commission has contacted this property owner concerning the delinquent amount.

In September 2003, \$60,258 was transferred from the county general revenue funds to make the bond interest payment of \$61,610. According to the trustee bank, reserve funds of approximately \$222,000 are being held for the Edgewater NID, but these funds can only be used in the event of default and must be repaid to the reserve account.

While the County Commission has budgeted in 2003 to expend \$200,000 in general revenue funds to pay bond payments for the Black Oak and Edgewater NIDs, they have not formally prepared a plan for how future bond payments will be funded. A formal plan should be prepared and include a description of the bond payments due, an estimate of the amount of special assessment monies to be collected, and an estimate of how much the county will be liable to pay in future bond payments. In addition, the plan should be reviewed and updated periodically.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall obligations of the county. Such a plan provides a means to more effectively monitor and evaluate the amount of special assessment funds collected and how they are handled.

- B. The County Treasurer does not adequately reconcile special assessment funds forwarded to the bond accounts held by the trustee bank. As a result some funds were not credited to the proper NID accounts. In addition, the NID trustee bond account activity is not reflected on the Treasurer's semi-annual settlement and not reviewed by the County Commission.

The County Collector is charged to collect the NID special assessment monies and remits these monies to the County Treasurer monthly. The County Treasurer sends these monies to the trustee bank, where they are invested until the bond payments are due. The County Treasurer receives quarterly statements from the trustee bank showing the activity of monies invested, interest earned, and bond payments made. We identified the following concerns during our review:

1. The County Treasurer does not adequately reconcile the activity on the bond account bank statements with her records. As a result, special assessment amounts deposited into the wrong NID bond account by the trustee bank were not identified by the County Treasurer as follows:
  - \$7,179 of Black Oak special assessment collections were incorrectly deposited into the Stonebridge bond account.
  - \$2,318 of Black Oak special assessment collections were incorrectly deposited into the Edgewater bond account.
  - \$132 of County Law Enforcement bond payment monies were incorrectly deposited into the Black Oak bond account.

These amounts remain due to the appropriate funds.

2. The County Treasurer tracks the NID bond account activity of the trustee bank by posting the transactions from the quarterly bank statement to a computerized spreadsheet. However, we noted several transactions that were not correctly reflected on these spreadsheets. For example, in March 2002, the County Treasurer failed to post a transfer and the subsequent bond payment of \$147,029 for Black Oak to her spreadsheet. In addition, the County Treasurer's spreadsheets do not adequately describe what activity has occurred. For instance, increases in the account balance are usually reflected by the County Treasurer as an investment purchase, when in fact it may be a deposit of special assessment funds or interest earned.

While the County Treasurer does reflect special assessment receipts and disbursements of the NID funds on the semi-annual settlement, the investment activity of the Trustee bond accounts is not reflected and the County Commission does not review the bond account statements or the spreadsheets maintained by the County Treasurer.

Adequate records and procedures should be established to monitor the NID funds. Records maintained by the County Treasurer should be reconciled to statements from the trustee bank and all NID fund activity should be reviewed by the County Commission regularly.

**WE RECOMMEND** the County Commission:

- A. Prepare a formal plan to effectively monitor and evaluate the amount of Black Oak and Edgewater special assessment funds collected, and how future bond payments will be funded.
- B. Establish adequate records and procedures to monitor the NID funds. Records maintained by the County Treasurer should be reconciled to statements from the trustee bank and all NID fund activity should be reviewed by the County Commission regularly.

**AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. *At the time the NIDs were formed, the County was assured by its bond counsel that the NID bonds were not general obligations of the County, and that County General Revenue funds would not be obligated to pay the bonds. However, it appears that the enabling NID statute provides that the bonds are general obligations of the County.*

*More importantly, in the opinion of the County Commission, the County's continuing default on any NID bond will damage the County's creditworthiness and credit rating and will adversely affect the County's future ability to issue bonds. In addition, the County's bond underwriter has advised that a default will also adversely affect the credit rating for other political subdivisions within the County, such as school districts, fire districts, municipalities, and similar legal entities that have authority to issue bonds.*

*For those reasons, since special assessments for the Black Oak and Edgewater Village NIDs have been insufficient to meet the debt service requirements, the County has appropriated general revenue funds to make up the shortfall for NID bond principal and interest payments.*

*The County Commission is pursuing litigation to recoup funds for any expenditures of County General Revenue funds, as well as to correct construction defects, reaffirm public confidence in the NIDs, enhance marketability of real estate in the NIDs, ensure future payment of NID special assessments, build reserve funds for NID bond payment accounts, and build reserve funds for utility company maintenance and repairs.*

*The County Commission has adopted a NID Management Policy for each NID that addresses and implements the Auditor's concerns. The County Commission will review each NID Management Policy at least annually. The County Commission, County Treasurer, County Collector, and County Clerk have agreed to implement the NID Management Policy for each NID that addresses and implements the Auditor's suggestions.*

*Although the County Commission believes the trustee bank should be responsible for its own overhead and expenses, including legal fees, the County paid the cost of the trustee bank's legal fees in the amount of \$2,388. If the County had not done so, the trustee bank would most likely have deducted that amount from the next principal or interest payment, causing a shortfall that would trigger another default notice.*

- B. The County Treasurer has amended all records to show transactions in the correct accounts. The NID management policies adopted by the County Commission will ensure that the County Treasurer periodically reconciles and accurately reports bond fund activities.*

*The County Treasurer provided the following responses:*

- B.1. These amounts were correct when sent to the trustee bank. The trustee bank has been notified and these amounts have been corrected to the right accounts.*
- B.2. The spreadsheet kept is used as a reconciling tool. The transfer and bond payment mentioned was an in and out transaction therefore the spreadsheet still balanced with the statement. I have adjusted the bookkeeping procedure to that recommended by the Auditor's Office.*

*I did not show investment activity on trustee bond accounts on the semi-annual statement because I believed that this would be double reporting of funds. The semi-annual statement shows assessment monies coming into the NID funds, which are then sent to the trustee bank and held there.*

*There has been a management policy regarding the NIDs adopted by the County Commission, Collector, Treasurer, Clerk and Assessor.*

### **Section III - Federal Award Findings and Questioned Costs**

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

<b>02-3.</b>	<b>Schedule of Expenditures of Federal Awards</b>
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Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children

Pass-Through Entity	
Identifying Number:	ERS041-205W, ERS045-2205, ERS045-3205W
Award Year:	2002 and 2001
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Office of Administration
Federal CFDA Number:	10.665
Program Title:	Schools and Roads – Grants to States
Pass-Through Entity	
Identifying Number:	Not applicable
Award Year:	2002 and 2001
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Number:	Not applicable
Award Year:	2001
Questioned Costs:	Not applicable

Federal Grantor: Federal Emergency Management Agency  
Pass-Through Grantor: Department of Public Safety  
Federal CFDA Number: 83.544  
Program Title: Public Assistance Grants  
Pass-Through Entity  
Identifying Number: FEMA-DR-1412MO  
Award Year: 2002  
Questioned Costs: Not applicable

Section .310(b) of Circular A-133, *Audits of State and Local Government, and Nonprofit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have specific procedures in place to track federal assistance for preparation of the SEFA. For the years ended December 31, 2002 and 2001, the county's SEFA contained numerous errors and omissions. For example, expenditures relating to several grants were not included on the schedules and the County Clerk failed to include the required pass-through grantor's number on the programs that were reported. In 2002 and 2001, the county only reported expenditures for 8 of 17 and 9 of 20 federal programs, respectively. As a result, expenditures were understated by approximately \$470,000 for the two years. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. Considering the overall incompleteness of the SEFA, it appears the County Clerk's efforts to prepare an accurate and complete SEFA were lacking.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

**WE RECOMMEND** the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

### **AUDITEE'S RESPONSE**

*The County Commission provided the following response:*

*The County Commission recommends that the County Clerk prepare and continually update a complete and accurate schedule of expenditures of federal awards. The County Clerk has agreed to do so.*

*The County Clerk provided the following response:*

*In 2004 I intend to prepare a complete and accurate schedule of expenditures of federal awards.*

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

STONE COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Stone County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2000.

00-1. Omission of Budgetary Information

The county did not budget various county funds. The lack of budgetary information for these funds, especially the Neighborhood Improvement Districts (NID) Fund, was a significant omission from the county's financial statements.

Recommendation:

The County Commission and other applicable officials ensure budgets are prepared for all county funds as required by state law.

Status:

Not implemented. See finding number 02-1.

00-2. Neighborhood Improvement Districts

- A.1. The County Commission did not maintain adequate control of the Black Oak Mountain Resort Neighborhood Improvement District (NID) project. This resulted in numerous problems such as potential conflicts of interest and improperly documented transactions.
  2. There were no written contracts with two companies involved with the Black Oak Mountain Resort NID, invoices were not adequately detailed, and excess billings were noted.
  3. Road paving for the Black Oak Mountain Resort NID was not independently bid, properly planned, and costs were not adequately documented. In addition, the amount paid included costs for paving the entrance road and parking lot for an amphitheatre, which was private property, and the commission did not have documentation to ensure the NID was properly reimbursed by the owner of the property.
  4. Adequate supporting documentation was not maintained for all Black Oak Mountain Resort NID expenditures, and possible duplicate payments were noted for grinder pumps and base rock.

5. The contractor for the Black Oak Mountain Resort NID was paid more than the contract amount. Although the County Commission indicated there were change orders to make up the difference, nothing was produced or made available.
- B.1. The County Commission did not review or approve expenditures for the Edgewater Village NID prior to payment.
  2. The County Commission did not review or approve bids for work performed by a construction company owned by the developer for the Edgewater Village NID, and invoices submitted by this construction company were not adequately detailed.
- C. The county withheld one percent assessment fund monies from the Stonebridge and Black Oak NID special assessment collections since 1997 of approximately \$21,300 and \$4,000. There was no statutory authority for the withholdings, and the county provided no documentation of out-of-pocket costs actually incurred from the Assessment Fund related to the projects.
- D. The county received administrative fees totaling \$17,000 and \$12,500 in 1998 and 1997, respectively from the Edgewater and Black Oak NIDs based on actual construction and estimated bond costs. The county did not have written documentation to support administrative cost expenditures.

Recommendations:

- A.1. Review the related party transactions for propriety, and in the future, avoid transactions that represent actual conflicts of interest or the appearance of conflicts of interest, and ensure steps are taken to eliminate conflicts.
  2. Enter into written agreements and require detailed invoices to support services performed.
  3. Obtain detailed plans, solicit bids, and maintain adequate supporting documentation of expenditures for all future projects. In addition, ensure reimbursement is received for paving the entrance road and parking lot of the amphitheatre, and review the situation regarding the utility system manholes to ensure appropriate measures are taken to remedy the problem.
  4. Ensure adequate supporting documentation is obtained and reviewed for all expenditures. In addition, review the duplicate payments made for the grinder pumps and base rock and seek reimbursement.
  5. Ensure change orders are prepared, signed and approved by all parties prior to the initiation of the related work, and retained in the county's files. In addition, research the amount paid to the utility system contractor to ascertain if approved change orders

make up the excess of the amount paid over the contract amount. If change orders do not make up the difference, seek reimbursement of the overpayment.

- B.1. Review and approve the expenditure of NID funds prior to the disbursements being made.
- 2. Review transactions involving the construction company owned by the developer to ensure bids were obtained. In addition, consult with legal counsel regarding the possible conflict of interest.
- C. Discontinue withholding assessment funding from special assessment collections and consider refunding those amounts already withheld. If actual incremental assessment costs were incurred related to applicable NID projects, it may be appropriate to include those costs in the special assessments apportioned to the landowners.
- D. Document the administrative costs incurred by the county and charged to the NIDs. Any additional unreimbursed costs should be collected from the landowners. Any excess amounts collected should be refunded to landowners who have already paid their assessments, and assessments to landowners paying over the twenty-year period should be adjusted to reflect actual costs.

Status:

A.1-

A.3. The County is currently in litigation with the parties involved in the Black Oak NID. See finding number 02-2

A.4.

&5. Implemented. The County Commission indicated that the contractor billed the county approximately \$180,000 more than the \$1 million allowed by contract; however, the county only paid \$25,000 of the overage. Therefore, the County Commission believes any duplicate payments made have been recouped.

B. Partially implemented. The County Commission is still investigating and approving requisitions for Edgewater expenditures. See finding number 02-2

C&D. Not implemented. The County Commission responded in the audit for the two years ending December 31, 2000 that they believe the Collector is authorized to withhold the one percent assessment fund monies on these amounts; however, there appears to be no legal support for their argument. They also responded that the administrative work performed by the County for the NIDs, and the cost of the employees, equipment and supplies provided by the County to the NIDs, should not be borne by the taxpayers from the general revenue fund. Although not repeated in our current MAR, our recommendation remains as stated.

00-3. Emergency 911 Building

The 911 Board did not effectively monitor the general contractor and ensure bids were competitively solicited for the construction of the 911 building. In addition, adequate supporting documentation was not maintained for some expenditures.

Recommendation:

The Emergency 911 Board ensure all future construction projects are competitively bid, adequate documentation is obtained for all expenditures, and the work is properly monitored.

Status:

The Emergency 911 Board has not entered into any contracts for additional construction projects. During our review of Emergency 911 expenditures, adequate documentation was obtained for the items reviewed.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

STONE COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2000, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

STONE COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Stone County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 12, 2003. We also have audited the compliance of Stone County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 12, 2003.

We also have audited the operations of elected officials with funds other than those presented in the financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the financial statements of Stone County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

**1.****Payroll and Personnel Procedures**

Time sheets are not maintained by some employees, and others were not compensated through the county's normal payroll system.

- A. Time sheets or other records of actual time worked are not maintained by some salaried employees such as, the jail administrator, maintenance supervisor, chief deputy sheriff, and planning and zoning administrator. As a result, the County Commission has no documentation to support these payroll expenditures. In addition, time sheets prepared by some hourly-paid employees do not include documentation of supervisory approval.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The time sheets should be prepared by the employee, approved by the applicable supervisor, and filed in a central location with the county's payroll records.

- B. In addition to their regular salaries, two employees of the County Clerk's office received a total of \$900 and \$500 each for the two years ended December 31, 2002 for the time spent preparing the county's published financial statement. These payments were not processed through the county's payroll system. According to the employees, the financial statements were prepared after normal business hours; however, the hours were not reported on the employee's timesheet. In addition, a seasonal worker in the County Collector's office was paid \$1,710 for the two years ended December 31, 2002 that was also not processed through the county's payroll system.

Payroll taxes were not withheld in either of these situations, and the compensation was not reported on the employee's W-2 form. These payments are wages and should have been processed through the county's payroll process.

To ensure compliance with the Fair Labor Standards Act (FLSA) and ensure the propriety of payments made, time worked should be paid through the regular county payroll process. In addition, the Internal Revenue Code requires employers to report all wages on W-2 forms.

**WE RECOMMEND** the County Commission:

- A. Require all county employees to prepare time sheets which reflect actual time worked and leave taken. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.
- B. Ensure all salary payments and wages are subject to payroll withholdings and

reported on W-2 forms.

**AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. *The County's policies require that each elected official or department head sign his or her employee's time cards or a summary thereof. After receiving this recommendation, the County Commission again consulted with its legal counsel and its outside legal counsel for matters concerning the federal Fair Labor Standards Act. The County Commission agrees that it (or, as appropriate, each elected official or department head) should monitor the work performance of all salaried employees; however, consideration of the State Auditor's suggestion requires that the County Commission balance the need to obtain the most accurate accounting information against the County's exposure to claims for overtime and claims that employees deemed "salaried" might be able to claim hourly compensation years after work was performed.*

*Both the County's legal counsel and the county's special legal counsel concerning the federal Fair Labor Standards Act continue to advise against requiring salaried employees to maintain actual time records as is recommended by the Auditor. After carefully considering both options, the County Commission has decided to follow the advice of its legal counsel and its special legal counsel concerning the federal Fair Labor Standards Act.*

*However, the County Commission intends that only a very few employees are categorized as exempt employees under federal Fair Labor Standards Act and, while the County will not require each such employee to keep detailed time records, each exempt employee's classification status and performance will be monitored by the County Commission (or, as appropriate, each elected official or department head) to ensure that such employees are satisfactorily in attendance or at work, adequately performing their tasks, and that the County is receiving the best value for its expenditures. The County Commission will ensure that the County's new employee policies, now in the process of being adopted, will strictly define exempt employees under the federal Fair Labor Standards Act.*

- B. *Each employee affected has been given the option to have the County issue a new W-2 Form so the employee can file an amended tax return. The County Clerk has agreed to ensure that all future salary payments and wages are subject to payroll withholdings and reported on W-2 Forms.*

**2.**

**Road and Bridge**

The county does not reconcile fuel used to fuel purchased, and records are not maintained of mileage incurred on county vehicles for employee commuting purposes.

- A. The county maintains fuel tanks in several locations throughout the county for use in road and bridge and law enforcement. During the years ending December 31, 2002 and 2001 the county spent approximately \$108,000 and \$115,000, respectively, for

fuel. Fuel usage logs are maintained by road and bridge and sheriff department employees to account for fuel used; however, the county does not reconcile fuel usage to fuel purchased. Such reconciliations are necessary to enable the County Commission to fully account for all fuel expenditures and identify significant loss or theft of fuel.

- B. Three road and bridge foremen, and two administrative clerks, are allowed to use county vehicles to commute between home and work. The County Commission indicated these employees are on call 24 hours a day for emergency situations; however, the county does not keep records of mileage incurred on the county vehicles for commuting purposes. Although this condition was noted in our prior audit report, the County Commission has not addressed this issue with a formal written policy.

Internal Revenue Service (IRS) reporting guidelines indicated personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Because procedures have not been established to ensure the IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

These conditions were noted in our prior report.

**WE AGAIN RECOMMEND** the County Commission:

- A. Reconcile fuel purchases to fuel usage and investigate any differences.
- B. Comply with IRS guidelines for reporting fringe benefits related to commuting in county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes and ensure records are kept which distinguish commuting and business mileage.

**AUDITEE'S RESPONSE**

*The County Commission provided the following responses:*

- A. *The County Commission has implemented a program to reconcile fuel usage, so that the County can fully account for all fuel expenditures, and identify significant loss or theft of fuel.*
- B. *The County provides vehicles for three road and bridge foreman and two road and bridge administrative clerks. Because those employees are on call at all times, the County Commission has determined that it best serves the County's purpose to allow each such employee a vehicle home after work, to ensure prompt and efficient response to emergencies,*

*inclement weather conditions, or equipment breakdowns. Each such employee is now required to keep a mileage log for the vehicle. The County Commission monitors each log and is aware of each employee's usage, to ensure that each vehicle's usage best serves the County's needs, and is not being used solely to provide transportation to or from the employee's place of residence.*

*The County Commission believes that, since it requires the employees to take vehicles home after work, the employees' use is not solely to provide transportation to and from the employees' places of residence, and thereby are not reportable fringe benefits under IRS reporting guidelines.*

**3.**

### **General Fixed Assets**

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. Currently, it is each county official's responsibility to maintain an inventory listing of the fixed assets in their office. Inventories are not always completed annually, and the inventory listings do not always include information applicable to the item, such as cost and date of acquisition. Additions to the inventory listing are not reconciled to equipment expenditures to ensure all fixed assets are properly recorded. During our review of equipment purchases, we noted 11 of 18 items, totaling approximately \$257,000, were not recorded on the county's general fixed asset listing.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property.

Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk.

A similar condition was noted in our prior report.

**WE AGAIN RECOMMEND** the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset dispositions, and any other concerns associated with county property.

## **AUDITEE'S RESPONSE**

*The County Commission provided the following response:*

*The County Commission relies upon each county elected official or department head to provide the inventories required by Section 49.093 RSMo. The County Commission and the County Clerk request that the County's elected officials and department heads discharge this statutory duty in an accurate and timely manner and provide the completed inventories and records to the County Clerk. The County Clerk has agreed to maintain custody of the record and provide them to the County's elected officials, department heads, and the County Commission for management, analysis, and insurance purposes. Each County Commissioner makes periodic inspections of real property as is required by Section 49.091 RSMo.*

<b>4. County Collector's Procedures</b>
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The County Collector's office processed property taxes totaling in excess of \$30 million for the two years ended February 28, 2003. Our review noted errors on the annual settlements, small unidentified balances in some bank accounts, and an old inactive bank account containing \$1,423.

- A. The County Collector's annual settlement contained errors in amounts reported which caused differences between total collections and distributions. For the year ended February 28, 2003, railroad and utility tax distributions of \$14,118 were omitted, and \$115,856 of distributions were reported twice including \$34,750 of surtax, \$46,878 of credit card payments, and \$20,289 in protested taxes. In addition, collections were overstated by \$110,567. For the year ended February 28, 2002 \$15,295 in credit card payments and \$15,385 in protested taxes were reported twice. Several other small errors were noted.

The County Clerk maintains an account book; however, the County Clerk and County Commission do not review the account book to help verify the accuracy of the County Collector's annual settlements.

Section 139.160, RSMo 2000, states that “. . . the collector shall . . . settle his accounts of all monies received by him on account of taxes and other sources of revenue . . .” By incorrectly reporting collections and distributions, the County Collector has not provided the County Commission with an accurate and complete settlement.

- B. The County Collector maintains bank accounts for the deposit of property tax collections, protested taxes, surtax, partial payments, electronic funds, and bankruptcy tax payments. Collections are distributed monthly, except for interest earnings and surtax, which are distributed once a year.

The County Collector tracks transactions that have cleared the bank accounts on her computer software program; however, a formal reconciliation is not prepared indicating checks outstanding and deposits in transit. As a result, the County Collector has not been properly monitoring her accounts and there are small unidentified balances in some of the bank accounts.

Preparing proper bank reconciliations is an essential part of properly accounting for property tax collections. Without these reconciliations, the County Collector has no assurance that all transactions have been properly recorded in the bank accounts. To provide this assurance, book balances should be maintained for all accounts and should be reconciled to the bank balances each month.

- C. The Collector has an old bank account containing a balance of \$1,423 at February 28, 2003 relating to tax collections. This bank account is no longer used by the Collector and has \$1,375 of checks that have been outstanding over one year, and \$48 in accumulated interest.

The Collector should take action to close this inactive account and distribute the remaining monies to the appropriate parties. Any amounts remaining unidentified should be turned over to the county's Unclaimed Fees Fund or the state Unclaimed Property Section in accordance with Sections 447.500 through 447.595, RSMo 2000.

**WE RECOMMEND** the County Collector:

- A. File complete and accurate annual settlements. In addition, the County Clerk and County Commission should compare the amounts on the annual settlements to the County Clerk's account book to ensure the annual settlements are accurate.
- B. Reconcile the bank accounts monthly and investigate and resolve the differences between bank records and internal accounting records.
- C. Close the inactive bank account and distribute any monies, which can be identified to the appropriate parties. Any monies which cannot be identified should be remitted to the state Unclaimed Property Section or the county Unclaimed Fees Fund.

**AUDITEE'S RESPONSE**

*The County Collector provided the following responses:*

- A. *Implemented. Duplicate entries on annual settlements were due to recording all activity in all bank accounts. After discussion with the staff of the Auditor's Office I am now aware that in some cases this was duplicating revenues and expenditures when transferring from one bank account to another. In the future, basic transfers will not be recorded as revenues and expenditures.*
- B. *Implemented. Reconciling differences only occurred in the last 7 months of the audit period,*

*after updating accounting software in May 2002. After discussion with staff of the auditor's office, the new reports are now correctly generated. All accounts are reconciled.*

- C. *Implemented. All inactive bank accounts have been closed. Unclaimed fees were transferred to the county Unclaimed Fees Fund.*

*The County Commission provided the following response:*

- A. *The County Commission has met with the County Collector and an employee in the County Clerk's office who handles the County Clerk's account book. The County Commission heard the Collector's explanation for the errors noted in your review, and accepts the explanation and her assurance that she has corrected all errors and has implemented procedures to ensure that they do not occur in the future. On Tuesday, September 2, 2003 the County Commission will examine the Collector's annual settlements for the two-year period covered by the audit, and the County Clerk's account book for the same period. The County Commission will review both the Collector's annual settlement and the County Clerk's account book in each future year.*

<b>5. Assessor's Accounting Controls and Procedures</b>
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The Assessor transmitted approximately \$8,100 and \$9,200 to the County Treasurer during the years ended December 31, 2002 and 2001, respectively, from the sale of maps and photocopies. Our review of the Assessor's accounting controls and procedures noted that receipts are not always transmitted timely or intact, checks are not restrictively endorsed immediately upon receipt, and accounting duties are not adequately segregated.

- A. Receipts are not always transmitted to the County Treasurer intact, and on a timely basis. Some cash receipts are retained for use as a change fund; however, the change fund is not maintained at a constant amount, it ranges from \$60 to \$95. Receipts are usually transmitted only twice a month. In addition, no reconciliation of receipt slips to the amount and composition of monies transmitted to the County Treasurer is performed by the County Assessor. Without performing this reconciliation, the Assessor has no assurance that all receipts are properly transmitted to the County Treasurer.

Transmitting receipts to the County Treasurer intact is necessary to ensure proper recording and accountability of receipts and to lessen the possibility of loss or misuse of funds. If a change fund is determined to be necessary, it should be maintained at a constant amount. In addition, to safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted to the County Treasurer daily or when accumulated receipts exceed \$100.

- B. Checks are not restrictively endorsed immediately upon receipt. Endorsements are applied after monies are turned over to the County Treasurer. To adequately safeguard receipts, all checks should be restrictively endorsed immediately upon receipt.
- C. Accounting duties for the Assessor's office are not adequately segregated. One employee is primarily responsible for receiving, recording, and transmitting monies to the County Treasurer. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly segregated. At a minimum, there should be a documented independent comparison of receipt slips to amounts transmitted to the County Treasurer.

A condition similar to A. was noted in our prior report.

**WE RECOMMEND** the Assessor:

- A. Transmit all monies received to the County Treasurer intact and reconcile monies transmitted to receipt records. If a change fund is needed it should be maintained at a constant amount. In addition, monies should be transmitted to the County Treasurer daily or when accumulated receipts exceed \$100.
- B. Restrictively endorse checks immediately upon receipt.
- C. Adequately segregate duties among available employees and/or establish a documented periodic review of the accounting records by an independent person.

**AUDITEE'S RESPONSE**

*The County Assessor provided the following responses:*

- A. *The Assessor's office has set a change fund in the amount of \$60 as of January 1, 2003, and monies are transmitted to the Treasurer on a daily basis or when receipts exceed \$100.*
- B. *The Assessor's office purchased a, "Stone County Assessor – For Deposit Only", ink stamp early in 2003. We endorse each check as they are received in the office.*
- C. *The Deputy Assessor has been given the responsibility of monitoring, reconciling, and initialing all monies and accounting records.*

The Prosecuting Attorney's office collects court-ordered restitution, bad check restitution and fees, and delinquent tax payments for the state. Our review of the Prosecuting Attorney's accounting controls and procedures noted that accounting duties are not adequately segregated, bank reconciliations are not performed timely, charges for uncollected bad checks are not always filed timely, and some checks have been outstanding for as long as four years. In addition, the Prosecuting Attorney maintains custody of the Child Assessment Center Grant Fund for which there appears to be no statutory authority.

- A. Accounting duties are not adequately segregated. The Prosecuting Attorney's office manager is primarily responsible for collecting, recording, depositing and disbursing all monies. To ensure proper recording of all transactions, the duties of handling, recording, distributing, and reconciling cash should be segregated. If the duties cannot be adequately segregated, at a minimum, an independent person, such as the Prosecuting Attorney, should review and initial bank reconciliations and agree recorded receipts to deposits. Failure to adequately segregate duties or provide a supervisory review increases the risk that errors or irregularities will not be detected in a timely manner.
- B. In December 2001, the Prosecuting Attorney's office experienced computer problems which resulted in the loss of a significant amount of data that had to be entered again into the computerized bad check system. Since this time, the Prosecuting Attorney's staff have only prepared bank reconciliations every two or three months. In addition, open items listing were not prepared and reconciled to the cash balance. The reconciled balance of the fee account increased from \$3,885 at December 31, 2001, to \$41,945 at December 31, 2002. At our request the Prosecuting Attorney's office prepared an open items listing, and all but \$92 of the \$41,945 December 31, 2002 balance was identified with a specific case. Considering the large increase in the balance of the bad check account, the Prosecuting Attorney should review the open items listing and disburse funds as appropriate.

Monthly bank reconciliations and listings of open items should be prepared and reconciled to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities.

- C. The Prosecuting Attorney's bank accounts have numerous checks, totaling approximately \$9,000, which have been outstanding from one to four years. An attempt should be made to locate the payees of the old outstanding checks and the checks should be reissued, if possible. Monies which remain unclaimed should be turned over to the state's Unclaimed Property Section in accordance with Section 447.532, RSMo 2000.

- D. The Prosecuting Attorney maintains custody of the Child Assessment Center Grant Fund which had a balance at December 31, 2002 of \$9,529. The County Commission is not a party to the Child Assessment Center Grant contract with Division of Family Services. As there appears to be no statutory authority for the Prosecuting Attorney to maintain custody of this fund, all monies should be turned over to the County Treasurer.

**WE RECOMMEND** the Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.
- B. Prepare bank reconciliations for all accounts on a monthly basis, prepare monthly listings of open items and reconcile to the cash balance, and attempt to identify the unidentified amount.
- C. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- D. Ensure the County Commission is a party to the Child Assessment Center Grant contract and turn over the proceeds of the Child Assessment Center Grant Fund to the County Treasurer.

**AUDITEE'S RESPONSE**

*The Prosecuting Attorney provided the following responses:*

- A. *The process of one clerk being in charge of daily receipts and deposits and another clerk being in charge of all check runs began in March 2003. The reconciliation of bank statements with the Prosecutor checking monthly will begin with the September 30, 2003 statement.*
- B. *By the September 30, 2003 bank statement all statements will be reconciled monthly and all balances paid out and identified.*
- C. *The old outstanding checks will be reissued or turned over to the County Treasurer by September 15, 2003.*
- D. *As of September 2, 2003 all the monies from this account have been disbursed, the account closed, and in the future this grant will be turned over to the County Treasurer.*

*The County Commission provided the following response:*

- D. *It appears that the County Commission in the past has not maintained custody of the Child Assessment Center Grant Fund. The County Commission has advised the Prosecuting Attorney that, in the future, the County Commission wishes to be a party to the contract, and that the County Treasurer should maintain custody of all proceeds of the fund.*

7.

### **Sheriff Board Bill Procedures**

Stone County received \$255,000 and \$354,000 in 2002 and 2001, respectively, for boarding prisoners for the federal government and surrounding counties and cities. The Jail Administrator prepares and sends board bills to the other government entities. The board bills indicate that payments are to be made directly to the County Treasurer. When a payment is received, the County Treasurer provides a copy of the receipt slip to the Jail Administrator. However, the Sheriff's department does not routinely compare prisoner board bills to subsequent payments. In addition, the Sheriff has no formal follow-up procedures for unpaid board bills. The previous Jail Administrator did not retain copies of the board bills sent nor agree the payments received to the board log.

Formal reconciliations of prisoner board bills and payments received by the County Treasurer should be performed with the Sheriff's department to ensure payments are received on a timely basis, second billings are sent out if necessary, and records are maintained accurately.

**WE RECOMMEND** the Sheriff compare prisoner board billings and the subsequent payments received by the County Treasurer on a regular basis and rebill any unpaid amounts. Documentation of any subsequent billings should be maintained.

### **AUDITEE'S RESPONSE**

*The County Sheriff provided the following response:*

*In reviewing your recommendation, I have spoke with my Jail Captain and he has started a system where if all agencies cooperate, we should be able to reconcile the board bills. It will have to be a cooperative effort on all involved as the board bills are being paid by many different agencies, and some monies come directly to the County Treasurer and some are paid through the court. We will attempt to do our best in this situation.*

A. The health center does not have adequate cash controls. Our review of cash controls revealed the following:

1. Accounting and bookkeeping duties are not adequately segregated. Currently, the responsibilities of recording and depositing receipts, reconciliations, and preparing and signing checks are assigned to the Health Center Administrator. There is no documented independent review of these functions.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation cannot be achieved, at a minimum, a comparison of bank deposits with recorded receipts and a review of monthly reconciliations should be performed. Proper supervision and documented reviews help ensure that financial records are properly maintained and help detect errors on a timely basis.

2. Receipt slips are not issued for some monies received, and monies received are not always deposited intact in a timely manner. We noted some receipts were held more than one week prior to deposit.

To help ensure receipts are properly recorded and deposited, prenumbered receipt slips should be issued for all monies received immediately upon receipt and the composition should be reconciled to the bank deposits. Also, deposits should be made intact daily, or when accumulated receipts exceed \$100.

B. Budgets prepared by the health center were not accurate and complete. Interest earned on certificates of deposits (CD) was not recorded timely, resulting in the cash balance on the health center's budget to be understated by approximately \$3,700 and \$7,000 for 2002 and 2001, respectively. In addition, mathematical errors totaling \$7,500 were noted in the 2001 budgeted revenues resulting in a higher estimated ending fund balance.

For the budget documents to be of maximum assistance to the health center and to adequately inform county residents of the health center's operations and current financial position, the budget documents should be complete and accurate.

**WE RECOMMEND** the Health Center Board of Trustees:

- A.1. Segregate the duties of handling, recording, distributing, and reconciling cash. If segregation of duties is not possible, at a minimum, an independent review of

receipts and deposits and monthly bank reconciliations should be performed and documented.

2. Require prenumbered receipt slips issued for all monies received and the composition of receipts reconciled to deposits. In addition, ensure all monies are deposited intact daily or when accumulated receipts exceed \$100.
- B. Ensure the budget is prepared accurately to reflect the financial activity and cash balances of the health center.

**AUDITEE'S RESPONSE**

*The Health Center Administrator provided the following responses:*

- A. *These recommendations were implemented immediately. The board secretary/treasurer will sign receipts and disbursement folder monthly.*
- B. *The Stone County Health Center currently has no CDs. CDs have been transferred to money market accounts. No mathematical errors were identified in budget years 2002 and 2003.*

## Follow-Up on Prior Audit Findings

STONE COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Stone County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1998.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Neighborhood Improvement Districts

- A. The county withheld one percent special assessment fund monies from the Stonebridge NID and Black Oak NID special assessment collections since 1997 of approximately \$21,300 and \$4,000. There was no statutory authority for the withholdings, and the county provided no documentation of out-of-pocket costs actually incurred from the Assessment Fund related to the projects.
- B. The county received administrative fees totaling \$17,000 and \$12,500 in 1998 and 1997, respectively from the Edgewater and Black Oak NIDs based upon actual construction and estimated bond costs. The county did not have written documentation to support administrative cost expenditures.

Recommendation:

The County Commission:

- A. Review the issue of withholding assessment funding from special assessment collections and consider discontinuing any future assessment withholdings and refunding those amounts already withheld. If actual incremental assessment costs were incurred related to applicable NID projects, it may be appropriate to include those costs in the special assessments apportioned to the landowners.
- B. Document the administrative costs incurred by the county and charged to the NIDs. Any additional unreimbursed costs should be collected from the landowners. Any excess amounts collected should be refunded to landowners who have already paid their assessments, and assessments to landowners paying over the twenty-year period should be adjusted to reflect actual cost.

Status:

- A&B. Not implemented. The County Commission responded in the audit for the two years ending December 31, 2000 that they believe the Collector is authorized to withhold the one percent assessment fund monies on these amounts; however, there appears to be no legal support for their argument. They also responded that the administrative

work performed by the County for the NIDs, and the cost of the employees, equipment and supplies provided by the County to the NIDs, should not be borne by the taxpayers from the general revenue fund. Although not repeated in our current MAR, our recommendation remains as stated.

2. Road and Bridge Concerns

- A. Fuel usage was not reconciled to fuel purchases.
- B. Some road and bridge employees were allowed to use county vehicles to commute between home and work. The county did not keep records of mileage incurred and did not include this mileage as a fringe benefit.

Recommendation:

The County Commission:

- A. Reconcile fuel purchases to fuel usage and investigate any differences.
- B. Comply with IRS guidelines for reporting fringe benefits related to commuting in county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes and ensure records are kept which distinguish commuting and business mileage.

Status:

A&B. Not implemented. See MAR finding number 2.

3. Officials' Salaries and Personnel Records

- A. The County Coroner was paid additional compensation for training that he did not receive.
- B.1. The Salary Commission minutes did not specify the amount of salary to be paid to the County Coroner and the Public Administrator for their terms beginning in 1997.
  - 2. The Salary Commission approved an increase in the Sheriff's salary due to the assessed valuation in 1997. The Sheriff was the only official that had an increase in salary.
- C. Time sheets were not maintained by salaried employees. Some hourly-paid employees time sheets did not include supervisory approval.

- D. Some hourly-paid employees had negative sick leave or compensatory leave balances. Employees' leave records had not been updated for more than a year.

Recommendation:

The County Commission:

- A. Require the County Coroner to provide certification that he completed applicable classroom training in 1997 or an exemption from training. If training certification or an exemption cannot be provided, the County Commission should pursue reimbursement of \$500 from the County Coroner. In addition, the County Commission and County Clerk should require the County Coroner to provide certification of applicable classroom training before the \$500 training allowance is paid.
- B. Review these matters with the Prosecuting Attorney to ensure the proper amounts were paid to each official. In addition, the County Commission should ensure future salary commission minutes document the approval of salary increases for each official.
- C. Require all county employees to prepare time sheets which reflect actual time worked and leave taken. These time sheets should be prepared and signed by the employee, approved by the applicable supervisor, and filed with the County Clerk.
- D. Discontinue the practice of allowing negative leave balances. Records of vacation, sick leave, and overtime earned, used, and accumulated should be updated monthly.

Status:

- A. Implemented. The Coroner paid the county \$500 on November 24, 1999.
- B. Implemented. The Commission discussed the situations with the Prosecuting Attorney at the November 30, 1999 meeting of the Salary Commission, and he did not recommend any additional action on behalf of the Salary Commission.
- C. Partially implemented. Time sheets are approved for hourly employees; however, salary paid employees do not maintain time sheets. See MAR finding number 1.
- D. Partially implemented. Negative leave balances were not noted; however, leave records for salary employees are not maintained. See MAR finding number 1.

4. Budgets and Published Financial Statements

- A. Disbursements were made in excess of the approved budgets. The county did not adequately monitor expenditures or document reasons for the excess expenditures.

- B. The annual published financial statements did not include financial activity for some county funds.

Recommendation:

The County Commission and other applicable officials and boards:

- A. Keep expenditures within the budgetary limits. If valid reasons necessitate excess expenditures, the original budget should be formally amended.
- B. Ensure financial information for all county funds is reported in the annual published financial statements in accordance with state law.

Status:

- A. Partially implemented. Actual expenditures exceeded budgeted amounts for some funds; however, improvements have been made. Although not repeated in our current MAR, our recommendation remains as stated above.
- B. Not implemented. See MAR finding number 02-1.

5. General Fixed Asset Records

- A. Additions and dispositions of fixed assets were not recorded in the property records as they occurred.
- B. There was not any documentation of a physical inventory of county owned personal property.
- C. Property records did not include information applicable to the item.
- D. Property records were not maintained in a manner which identified yearly additions, deletions, and year-end balances.

Recommendations:

The County Clerk:

- A. Maintain the property records on a current basis to reflect all additions and dispositions of general fixed assets as they occur. In addition, general fixed asset purchases should be reconciled periodically to additions to the property records.
- B. Perform and document annual physical inventories of all county owned personal property as required by state law.

- C. Record all applicable information in the property records.
- D. Maintain property records in a manner that beginning balances, additions and deletion can be reconciled to year-end balances.

Status:

A-D. Not implemented. See MAR finding number 3.

6. County Collector's Records and Procedures

- A. The former County Collector's annual settlements contained errors in the amounts reported which caused differences between total tax collections and distributions.
- B. The former County Collector allowed employees to cash personal checks from tax receipts.
- C. The former County Collector did not correctly compute commissions and fees withheld from property taxes for the Blue Eye School District.

Recommendations:

The County Collector:

- A. Maintain an accurate account book and file complete and accurate annual settlements. In addition, the County Clerk and County Commission should compare the amounts on the annual settlements to the County Clerk's account book to ensure the annual settlements are accurate.
- B. Discontinue the practice of cashing personal checks from tax receipts.
- C. And the County Commission authorize the payment of \$1,000 from the General Revenue Fund and \$670 from the Assessment Fund to the Blue Eye School District.

Status:

- A. Partially implemented. An account book is maintained; however, the errors were noted on the annual settlements. See MAR finding number 4.
- B&C. Implemented.

7. Prosecuting Attorney's Records and Procedures

- A. A cash payment of \$175 received for bad check restitution in March 1998 was not recorded or deposited. In addition, a shortage of \$233 was identified in the bad check restitution account that had not been recovered or resolved.
- B.1. Receipt slips were not issued immediately for some monies received, and monies were not always deposited timely.
  - 2. The method of payment received was not always recorded on bad check restitution receipt slips, and receipt slips issued were not reconciled to bank deposits.
- C. Bank reconciliations were not performed on the delinquent sales tax account. In addition, bank reconciliations were not completed or agreed to the book balance for the bad check restitution account.
- D. Open-items listings (liabilities) were not prepared and liabilities were not reconciled to the balances in the bank accounts.
- E. Accounting duties were not adequately segregated.
- F. Bad check fees collected by the Prosecuting Attorney's office were not turned over to the County Treasurer on a timely basis.

Recommendations:

The Prosecuting Attorney:

- A. Investigate the \$233 of undeposited receipts and take appropriate action to ensure the shortage in the account is corrected.
- B.1. Issue receipt slips immediately upon receipt for all monies received and deposit receipts daily or when accumulated receipts exceed \$100.
  - 2. Indicate method of payment received on all receipt slips and reconcile the composition of bank deposits.
- C. Ensure bank reconciliations are prepared on a monthly basis and follow-up on all old outstanding checks.
- D. Prepare monthly open-items listings and reconcile to the cash balances.
- E. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

- F. Turn over all fees to the County Treasurer on a monthly basis as required by state law.

Status:

- A. Implemented. On December 6, 1999, \$233 was received from the county and deposited to balance the account.

B&F. Implemented.

C-E. Not implemented. See MAR finding number 6.

8. County Assessor's Records and Procedures

- A. Receipt slips were not issued for some monies received. In addition, the original copies of voided receipt slips were not always retained.
- B. Some cash receipts were not transmitted to the County Treasurer.
- C. The County Assessor allowed his employees to cash personal checks from receipts.
- D. The County Assessor did not file monthly reports of all fees collected.

Recommendations:

The County Assessor:

- A. Issue official pre-numbered receipt slips for all monies received and retain all copies of voided receipt slips.
- B. Transmit all receipts to the County Treasurer intact. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis and all reimbursements should be supported by vendor invoices or other documentation.
- C. Discontinue the practice of cashing personal checks from official receipts.
- D. Prepare monthly reports of fees as required by law.

Status:

- A. Partially implemented. Receipt slips are now issued for all monies received; however, they are not utilizing official, pre-numbered receipt slips. Receipt slips are numbered manually. Although not repeated in our current MAR, our recommendation remains as stated above.

B. Not implemented. See MAR finding number 5.

C-D. Implemented.

9. Public Administrator's Settlements

The Public Administrator had not filed annual settlements for several estates on a timely basis.

Recommendation:

The Public Administrator should file annual settlements on a timely basis as required by law.

Status:

Not implemented. Annual settlements were not timely filed during the audit period; however, in 2003, the County Commission authorized the Public Administrator to hire a clerk to assist in filing annual settlements more timely. Although not repeated in our current MAR, our recommendation remains as stated above.

10. Health Center

A.1. Employees kept track of their own leave balances and record their leave activity on the time sheets; however, the health center's master records had not been updated since 1997.

2. The health center had a policy that prohibited employees from being compensated for accrued compensatory time upon termination of employment. One employee had accumulated a comp time balance of 381 hours.

3. Supervisory approval of time sheets was not documented.

B.1. The property records did not include the health center's land, building, and building improvements.

2. Additions of fixed assets were not always recorded as they occurred.

3. Property records were not maintained in a manner which identifies yearly additions, deletions, and year-end balances.

Recommendations:

The Health Center Board of Trustees:

- A.1. Ensure the master leave records are updated monthly and discontinue the practice of allowing employees to accrue leave beyond the maximum levels established by the personnel policy.
  - 2. Take steps to address the excess compensatory leave balances and establish policies to ensure compliance with FLSA.
  - 3. Require documentation of supervisory approval on all time sheets.
- B.1. Include the cost of land, buildings, and building improvements on the property records.
  - 2. Record all additions of fixed assets as they occur and ensure general fixed asset purchases are reconciled periodically to additions to the property records.
  - 3. Maintain property records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances.

Status:

A.1.-

- 2. Implemented.
- 3. Partially implemented. The Health Center Administrator indicated that she reviews all time sheets; however, her review is not always documented. Although not repeated in our current MAR, our recommendation remains as stated above.

B.1. Implemented.

- 2. Partially implemented. Fixed asset additions are periodically reconciled to the property records; however, we noted a leased copy machine was not added to the property records timely. Although not repeated in our current MAR, our recommendation remains as stated above.
- 3. Not implemented. Although not repeated in our current MAR, our recommendation remains as stated above.

11. Emergency 911

- A. No vehicle usage records were kept to distinguish commuting mileage from business-related mileage for the county vehicle used by the Administrator.

- B. Time sheets were not prepared to document actual hours worked.
- C. Some checks were not issued in numerical sequence and voided checks were not retained.
- D. The Emergency 911 Board's general fixed asset records did not reflect the cost of the items listed and the vehicle used by the 911 Administrator was not listed.

Recommendations:

The Emergency 911 Board:

- A. Comply with the IRS guidelines for reporting fringe benefits related to commuting in the official vehicle. In addition, the board should establish a written policy for the 911 Administrator regarding the appropriate use of the vehicle for commuting purposes and ensure records are kept which distinguish commuting and business mileage.
- B. Require all employees to prepare monthly time sheets.
- C. Issue checks in numerical order and retain voided checks.
- D. Record the cost of all general fixed assets and ensure all items are included on the records.

Status:

- A-C. Implemented.
- D. Partially implemented. The costs have been assigned to the inventory items; however, the listing has not been updated since November 2001. Although not repeated in our current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and  
Statistical Information

STONE COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1851, the county of Stone was named after William Stone, a pioneer judge of Taney County. Stone County is a county-organized, third-class county and is part of the Thirty-Ninth Judicial Circuit. The county seat is Galena

Stone County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 527 miles of county roads and 21 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 15,587 in 1980 and 28,658 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2002	2001	2000	1999	1985*	1980**
	(in millions)					
Real estate	\$ 248.4	239.6	223.3	214.7	82.6	26.7
Personal property	76.2	73.7	71.3	60.4	20.2	13.3
Railroad and utilities	13.9	13.0	11.1	10.7	5.5	4.3
Total	\$ 338.5	326.3	305.7	285.8	108.3	44.3

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Stone County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,			
	2002	2001	2000	1999
General Revenue Fund	\$ .1300	.1300	.1300	.1300
Health Center Fund	.0803	.0802	.0814	.0800
Senior Citizens Service Fund	.0494	.0493	.0500	.0500

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
State of Missouri	104,075	99,902	93,017	87,752
General Revenue Fund	460,189	442,236	412,660	385,663
Special Road and Bridge Fund	4,090	4,192	4,112	4,659
Assessment Fund	175,298	145,687	128,589	116,426
Health Center Fund	276,365	265,409	246,598	232,692
Senior Citizens Service Fund	167,004	160,360	151,074	141,930
School districts	12,186,511	11,670,692	10,221,122	9,613,194
Library district	242,592	233,019	216,773	204,444
Fire protection district	913,457	873,964	822,390	757,732
Junior College	15,303	13,425	12,120	10,861
Neighborhood Improvement District	639,013	670,558	452,787	536,002
Cities	33,881	30,826	28,487	30,860
County Clerk	584	634	682	599
County Employees' Retirement	111,038	82,342	95,748	83,916
Commissions and fees:				
General Revenue Fund	387,957	299,668	240,369	226,170
Total	\$ 15,717,357	14,992,914	13,126,528	12,432,900

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
Real estate	90	90	89	91 %
Personal property	93	93	92	95
Railroad and utilities	100	100	100	100

Stone County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$ .0050	None	50 %
Road capital improvements	.0050	None	None
Law enforcement	.0050	None	None
Emergency 911	.00125	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2003	2002	2001	2000	1999
County-Paid Officials:					
Tony DeLong, Presiding Commissioner	\$	31,700	31,700	30,380	30,380
Denney McCrorey, Associate Commissioner		29,700	29,700	28,380	28,380
Jerry Dodd, Associate Commissioner		29,700	29,700		
Luther Hembree, Associate Commissioner				28,380	28,380
Carloyn Dean, County Clerk		45,000	45,000	43,000	43,000
Matt Selby, Prosecuting Attorney		96,000	96,000	87,235	87,235
Richard Hill, Sheriff		50,000	50,000	39,000	39,000
Kristi Stephens, County Treasurer		33,300	33,300	31,820	31,820
Rick Stumpff, County Coroner		16,000	16,000	6,500	6,500
Glenda (Wendy) Metcalf, Public Administrator (1)		45,000	45,000	38,854	41,290
Vicki May, County Collector, year ended February 28 (29),	45,000	45,000	45,000	43,000	
Allen Berkstresser, County Assessor (2), year ended August 31,		45,900	42,400	42,400	42,400
John Read, County Surveyor (3)		N/A	N/A	N/A	N/A

(1) Includes fees received from probate cases for 2000 and 1999. Beginning in 2001, the Public Administrator received a salary of \$45,000.

(2) Includes \$900 annual compensation received from the state.

(3) Compensation on a fee basis.

State-Paid Officials:

Cathy Shortt, Circuit Clerk and Ex Officio Recorder of Deeds		47,300	47,300	46,127	44,292
William Kirsch, Associate Circuit Judge		96,000	96,000	97,382	87,235

In 1992, the county entered into a \$2.9 million cancelable lease for the purchase of the county law enforcement center. The 1992 lease was called in 1998 and they subsequently entered into a \$3.66 million cancelable lease for further improvements to the county law enforcement center. Principal and interest payments are made from the general revenue fund. At December 31, 2002, the principal balance of the lease was \$3.2 million. If the county makes the minimum lease payments, the lease will be paid in full by 2017.